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## **NNSA Imposes Major Fee Penalty in Response to Los Alamos Safety and Security Problems**

WASHINGTON, D.C. – The National Nuclear Security Administration (NNSA) announced today it has imposed a major fee reduction on the University of California for management failures at the Los Alamos National Laboratory during the Fiscal Year (FY) ending in September 2004. NNSA's action represents the largest fee reduction imposed on a national laboratory in history.

The decision follows a year in which laboratory operations were suspended to address serious safety and security problems, including a report that two classified computer disks could not be located at the New Mexico laboratory.

"Although multiple investigations have confirmed that the 'missing' disks never existed, the major weaknesses in controlling classified material revealed by this incident are absolutely unacceptable, and the University of California must be held accountable for them," said NNSA Administrator Linton Brooks in announcing the penalty. "Of even greater concern are significant safety weaknesses which came to light at approximately the same time."

As a result of these deficiencies, the laboratory was rated unsatisfactory in operations for FY 2004, thus forfeiting a potential \$2.1 million in fee. "While this loss of fee is significant, it does not adequately respond to the gravity of the weaknesses uncovered," Brooks said. "Therefore, after thorough review, I have made a further reduction of just over \$3 million of the remaining management fee. I consider this an appropriate indication of the severity and systemic nature of the problems uncovered at Los Alamos, problems which have already resulted in substantial loss to the government."

The laboratory receives a separate rating for achieving its mission objectives, including nonproliferation activities and establishing a strong science base. The rating for 2004 was "good." Rating categories are outstanding, good, satisfactory and unsatisfactory.

Under the current contract, the university is entitled to a fixed fee of \$3.5 million plus a performance-based fee up to an additional \$5.2 million. As a result of the NNSA action, the University of California will receive a total management fee of \$2.9 million for FY 2004, only one-third of the maximum potential fee of \$8.7 million.

Los Alamos was the United States' first nuclear weapons laboratory and has been managed by the University of California for the past 60 years. As a result of previous weaknesses in business practices, the Department of Energy announced in 2003 that the management contract would be open for competition when it expires in September 2005.

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